

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Commercial and Farmers Bank prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of January 22, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The institution meets standards for satisfactory performance for each of the assessment criteria. No complaints have been received regarding the bank's Community Reinvestment Act performance.

The following table indicates the performance level of Commercial and Farmers Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>COMMERCIAL AND FARMERS BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

Commercial and Farmers Bank has six offices located within Baltimore and Howard Counties all of which are reasonably accessible to all census tracts within the defined assessment area. As of September 30, 1995, the bank had \$121.9 million in assets with 67% of the assets in loan receivables. A variety of credit services is offered including commercial, small business, residential, and consumer loans. The main focus of the bank is commercial lending, primarily small business loans and leases which comprise 62% of the loan portfolio. Additionally, real estate loans constitute 33% and consumer credit represents 4% of the portfolio.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's current assessment area includes all of Howard County and the following tracts in Baltimore County:

4001	4015.05
4002	4016.01
4004.01	4016.02
4005 to 4007	4024.01
4007.01	4024.05
4007.02	4301.01
4008 to 4010	4301.02
4011.01	4302 to 4309
4011.02	4013.01 to 4013.02
4012	4014
4015.01 to 4015.03	

Both Baltimore and Howard Counties are included within the Baltimore Metropolitan Statistical Area (MSA) which has a median family income of \$42,206. Based on the 1990 census, the populations of these counties are 692,134 and 187,328, respectively, with a minority population of 19%. Only four of the 63 tracts (6%) in the assessment area are considered low- and moderate-income (L/M). Affordable housing is a major concern in the area due to the high cost of land and zoning restrictions that have limited housing growth. Employment is provided by local industries including telecommunications, real estate development, and light manufacturing. A large percentage of area residents commute to the nearby cities of Baltimore, Maryland and Washington, D.C., for employment. The current unemployment rates are 5.3% for Baltimore County and 3.7% for Howard County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the last five quarters was 76.9%. This ratio appears more than reasonable in relation to the bank's financial capacity, size, and current local economic conditions.

LENDING IN ASSESSMENT AREA

A sample of 139 loans was reviewed to determine the bank's lending within its assessment area. This sample consisted of 92 commercial loans and leases and 47 motor vehicle loans. As illustrated in the charts below, 46% of the commercial loans and leases and 81% of the motor vehicle loans were within the bank's assessment area. These figures reflect a substantial volume of purchased leases, primarily from outside of the bank's assessment area. Nonetheless, when other types of lending are considered, the penetration of loan originations and purchases within the local community appears reasonable.

Comparison of Credit Extended Inside and Outside of the Assessment Area

Commercial Loans and Leases

	In Assessment Area	Outside Assessment Area	Total
Total Number of Loans	42	50	92
Percentage of Total Loans	46%	54%	100%
Total Amount of Loans (000s)	\$3,564	\$2,384	\$5,948
Percentage of Total Amount	60%	40%	100%

Motor Vehicle Loans

	In Assessment Area	Outside Assessment Area	Total
Total Number of Loans	38	9	47
Percentage of Total Loans	81%	19%	100%
Total Amount of Loans (000s)	\$418	\$97	\$515
Percentage of Total Amount	81%	19%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

From the sample, 42 of the commercial loans and leases and 38 of the motor vehicle loans were both within the bank's assessment area and included information concerning the applicant's income. The following chart demonstrates the bank's lending to businesses of different sizes and applicants of different income levels.

Distribution of Loans in Assessment Area by Income Level of Borrower

Commercial Loans and Leases

	Revenues < \$1 MM	Revenues > \$1 MM	Total
Total Number of Loans	24	18	42
Percentage of Total Loans	57%	43%	100%

Motor Vehicle Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	6	6	12	14	38
Percentage of Total Loans	16%	16%	32%	37%	100%
Total Amount of Loans (000s)	\$48	\$40	\$134	\$197	\$419
Percentage of Total Amount	12%	9%	32%	47%	100%

The majority of the institution's commercial loans and leases sampled were to businesses with revenues under one million dollars. This suggests a responsiveness to the needs of small businesses.

Within the assessment area, 32% of the bank's motor vehicle loans were to low- and moderate-income individuals. This compares favorably to the 23.2% of families within the assessment area considered low- and moderate-income (L/M). It should be noted that the bank's volume of lending to those individuals may be somewhat overstated due to reliance on net income for the credit decision in some instances.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loans files also included an analysis of lending among various census tracts within the assessment area. The following chart depicts the geographic distribution of the bank's lending throughout the market. None of the loans in the sample were within L/M census tracts; however, only four of the 63 tracts in the assessment area are considered L/M. Furthermore, only 5% of the population of the assessment area reside in L/M tracts and the demand for commercial loans (the bank's primary emphasis) in these tracts may be limited. Nonetheless, the bank provided documentation showing that loans have been extended within these tracts in the past. It should be noted that four commercial loans and four motor vehicle loans are not included in the tables because the specific tract location could not be identified. Based on the addresses, none were in low- and moderate-income tracts.

Distribution of Loans in Assessment Area by Income Level of Census Tract

Commercial Loans and Leases

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	0	13	25	38
Percentage of Total Loans	0	0	34%	66%	100%
Total Amount of Loans (000s)	0	0	\$1,069	\$2,372	\$3,441
Percentage of Total Amount	0	0	31%	29%	100%

Distribution of Loans in Assessment Area by Income Level of Census Tract-contd.

Motor Vehicle Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	0	4	30	34
Percentage of Total Loans	0	0	12%	88%	100%
Total Amount of Loans (000s)	0	0	\$45	\$324	\$369
Percentage of Total Amount	0	0	12%	88%	100%

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Violations of the technical aspects of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.

Regression Program Usage Report

(This form should be filled out for each examination conducted involving a HMDA reporter.)

Institution Name: Commercial and Farmers Bank

City, ST: Ellicott City, Maryland

Exam Date: January 22, 1996

Number of HMDA LAR records

Year(s) of data considered: 1994

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	1994	Year	1994	Year	1994	Year	1994	Year
White Approvals	0		4		1		11	
White Denials	0		2		0		2	
Minority Approvals	0		0		0		1	
Minority Denials	0		0		0		0	

Was Step 1 of regression program run? Y N

if "N", why not? Insufficient loan data

What grouping(s) of data (i.e, loan type, location, year(s), etc.) were used? MIN Pr > Chi Square Value

- (1) _____ _____
- (2) _____ _____
- (3) _____ _____
- (4) _____ _____
- (5) _____ _____
- (6) _____ _____

**CONSUMER AFFAIRS EXAMINATION
SUMMARY DATA**

Board of Governors
of the Federal Reserve System

State Member Bank: Name Commercial and Farmers Bank

City Ellicott City

State Maryland

DSBB 052407600000 Asset Size \$ 121,978 Date of Latest Call Report 95 09 30
YY MM DD

Commencement Date 96 01 22 Ending Date 96 02 08
YY MM DD YY MM DD

Transmittal Date 96 03 20 Date of Previous Examination 94 07 18
YY MM DD YY MM DD

Examiner in Charge Bruton Sharon R No
Last First MI Foreign Banking Organization

Number of Examiners 6 Compliance Rating 2 CRA Rating S Type of CRA Exam SB

Components of CRA Rating _____

Supervisory Action: MOU Other Informal Administrative Action
Written Agreement Cease and Desist Civil Money Penalty

Conduct of Examination Concurrent X Separate

Type of Examination X Regular Limited Scope Follow-up Special

Bank Structure X Centralized Decentralized Regional Processing
Center

Number of Facilities 6 Number of Facilities Examined 1

Examiner Hours: Off-site 11 In-Bank 168 Subtotal 179
Rpt Writing 35 Public Eval 5 Admin 7 Total 226

Hours Spent per Regulation¹: (In-Bank, Off-site, and combined)

	Reg. B	FHA	Reg. C	FCRA	Reg. H	Reg. M	Reg. Q	Reg. D	RESPA
Off-site	0	0	0	0	0	N/A	0	0	0
In-Bank	29	3	17	2	2	N/A	3	3	3
Total	29	3	17	2	2	N/A	3	3	3

	Reg. Z	FDCPA	Reg. BB	Reg. AA	Reg. E	Right to Fin. Pr.	Reg. CC	Reg. DD	Rule 78
Off-site	0	N/A	11	0	0	0	0	0	0
In-Bank	40	N/A	44	3	5	2	4	8	0
Total	40	N/A	55	3	5	2	4	8	0

1. Alpha numeric fields

E = statutory/regulation exemption

N/A = no activity noted or reviewed

Community Contacts by Organization Type

I _____ II _____ III _____ IV 1 V _____ VI _____ Total 1

State Member Bank: Name Commercial and Farmers Bank

City Ellicott City

State Maryland

Loan Types

	Total	Instal- ment Loans	Time and Demand Loans	Overdraft Checking Accounts	Other Open End Accounts	Real Estate Loans	Other Closed End Accounts
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SAMPLE REQUIREMENTS

Number of Loans in Universe	44	21	2	4	9	4	0
Number of Loans Sampled Statistically	44	21	2	4	9	4	0
Number of Loans Sampled Judgmentally	0	0	0	0	0	0	0
Number of Rejected Applications Sampled	26	17	0	1	5	1	2

OVERCHARGE

Number of Actual Overcharges	0	0	0	0	0	0	0
Dollar Amount of Actual Overcharges	0	0	0	0	0	0	0
Number of Potential Overcharges	0	0	0	0	0	0	0
Dollar Amount of Potential Overcharges	0	0	0	0	0	0	0

INSTRUCTIONS FOR COMPLETION OF VIOLATIONS PAGE(S)

When completing violation entries:

1. Make sure all ones are written as 1 and all zeros are written as 0.
2. Use only capital letters; write the letter "eye" as I.
3. Use no punctuation such as commas, periods, or parentheses.
4. Left justify all entries.
5. Record all entries vertically.
6. Be sure that the total for each page is entered at the bottom of the page. These totals are identified by the letters "TOT" in Reg. or Act box.

In the three examples shown below:

	Reg. or Act	Section	No. of Violations	Policy Guide
Example 1.	Z	7 A 2	3 0	
Example 2.	F D C P	8 0 5 A 1	2 9 7	
Example 3.	B	7 D 5	5	X

the following meaning will be translated by Data Processing:

- | | | | |
|---------------------------------------|-------------------|----------------|-------------------------|
| 1. Regulation Z | Section 7(a)(2) | 30 violations | |
| 2. Fair Debt Collection Practices Act | Section 805(a)(1) | 297 violations | |
| 3. Regulation B | Section 7(d)(5) | 5 violations | Policy Guide
Invoked |

State Member Bank: Name Commercial and Farmers Bank

City Ellicott City

State Maryland

Violations

Reg. or Act.	Section	Number of Violations	Technical	Policy Guide	File Search
Z	21 A	1			
Z	21 B	1			
Z	21 C	1			
Z	18 N	1	X		
Z	23 C	1	X		
DD	8 B	1			
DD	8 C 3	1			
DD	8 C 6 II	1			
C	4 A 4	1	X		
C	4 A 7	2	X		
D	2 B 3 II A	1	X		
Q	3	1	X		

T O T

X X X X X X X X X X X 13

State Member Bank: Name Commercial and Farmers Bank

City Ellicott City

State Maryland

SCREEN 1A OF 1195 FOR SMALL BANK CRA EXAMINATIONS CONDUCTED AFTER JANUARY 1, 1996

	NAME OF STATE/ MULTISTATE MSA	NAME OF STATE/ MULTISTATE MSA	NAME OF STATE/ MULTISTATE MSA	
BANK	_____	_____	_____	
RATING (O, S, NI, SN):	<u>S</u>	_____	_____	
PERFORMANCE DESCRIPTIONS (ES, MS, DN, ID OR BLANK)				
LOAN/DEPOSIT RATIO	<u>ES</u>	_____	_____	
LENDING TO AA	<u>MS</u>	_____	_____	
LENDING TO BORROWERS	<u>MS</u>	_____	_____	
GEOG. DIST.	<u>MS</u>	_____	_____	
COMPLAINTS	_____	_____	_____	
PERFORMANCE DESCRIPTION (O, NA OR BLANK)				
SERVICE	_____	_____	_____	
INVESTMENT	_____	_____	_____	
CRA LOAN SAMPLES:	UNIVERSE	SAMPLE	UNIVERSE	SAMPLE
HOME PURCHASE CONVNTNL	_____	_____	COMMUNITY DEVELOPMENT	_____
HOME PURCHASE FHA	_____	_____	CONS. MOTOR VEHICLE	<u>62</u> <u>47</u>
HOME PURCHASE VA	_____	_____	CONS. CREDIT CARD	_____
REFINANCINGS	_____	_____	CONS. HOME EQUITY	_____
HOME IMPROVEMENT	_____	_____	CONS. OTHER SECURED	_____
MULTI-FAMILY	_____	_____	CONS. OTHER UNSECURED	_____
SMALL BUSINESS	<u>57</u>	<u>44</u>	_____	_____
SMALL FARM	_____	_____	_____	_____

State Member Bank: Name Commercial and Farmers Bank

City Ellicott City

State Maryland

SCREEN 1B OF 1195 FOR SMALL BANK CRA EXAMINATIONS CONDUCTED AFTER JANUARY 1, 1996

	OVERALL*	COMPONENTS**
BANK	_____	_____

STATE BY STATE/ MULTI-STATE MSA	OVERALL*	COMPONENTS**
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

CRA LOAN SAMPLES:	UNIVERSE	SAMPLE		UNIVERSE	SAMPLE
HOME PURCHASE CONVNTNL	_____	_____	COMMUNITY DEVELOPMENT	_____	_____
HOME PURCHASE FHA	_____	_____	CONS. MOTOR VEHICLE	_____	_____
HOME PURCHASE VA	_____	_____	CONS. CREDIT CARD	_____	_____
REFINANCINGS	_____	_____	CONS. HOME EQUITY	_____	_____
HOME IMPROVEMENT	_____	_____	CONS. OTHER SECURED	_____	_____
MULTI-FAMILY	_____	_____	CONS. OTHER UNSECURED	_____	_____
SMALL BUSINESS	_____	_____	_____	_____	_____
SMALL FARM	_____	_____	_____	_____	_____

* (O, S, NI, SN)

** (1, 2, 3 OR 4)